Office-Supreme Court, U.S.
FILED
JAN 4 1985
ALEXANDER L. STEVAS,
CLERK

No. 84-652 (4)

IN THE

Supreme Court of the United States

October Term, 1984

CHAS. S. TANNER CO. and
NATIONAL STARCH AND CHEMICAL
CORPORATION,

Petitioners,

v.

AIR PRODUCTS AND CHEMICALS, INC.,

Respondent.

**ON WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

REPLY BRIEF IN SUPPORT OF PETITION FOR CERTIORARI

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January 4, 1985

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I. INTRODUCTION

AP has failed to come to grips with the reasons for granting certiorari in this case. All written submissions, i.e., trial briefs and post-trial proposed findings of fact and conclusions of law were *ex parte*. AP does not dispute that reception of *ex parte* submissions by the District Court conflicts with the practice in most other district courts, with the law of federal procedure and with the letter of the Code of Judicial Conduct. AP defends the procedure below as (a) sanctioned by the Federal Rules of Civil Procedure and, (b) not an infringement of National's right to adequate notice and

opportunity to be heard. AP cites no authority in point. Its brief therefore only highlights the significance of the instant petition for the integrity of federal civil justice.

AP asserts that the question presented is not properly before this Court because National made no proper objection in the trial Court, and was in any event not prejudiced by the trial Court's procedures. But the record shows that National's trial counsel sought exchange of trial and post-trial submissions and was surprised by the local rule and practice which precluded such exchanges (Petition 9-14). National therefore did not surrender the right that is the subject of the writ sought in this Court.

AP also argues that the demand for attorney fees in its complaint gave National adequate notice of that claim's being at issue in the trial. It contends that the predicate for this claim is found in Paragraph 9 of the complaint, which alleges that the infringement was "deliberate and willful". But the predicate for an award of attorney fees is not "deliberate and willful" conduct as such; it is an "exceptional case", which may or may not coincide with the infringement being "deliberate and willful" (Petition 15). The "exceptional case" issue under § 285 was not identified as an issue to be tried in the bifurcated liability trial. National never knew the issue was to be tried. National's introduction of some evidence on the issue of "deliberate and willful" infringement therefore does not, as AP argues, indicate that National understood that the attorney fees issue was at stake. And even though some evidence was admitted on "deliberate and willful" infringement, the District Court's extensive opinion does not contain a single finding on this issue (A 7-84).

AP has also failed to come to grips with the injustice that is likely to occur—and which did occur here—when a party asserting a patent or other property right is permitted to submit *ex parte* arguments to the court. AP does not dispute that, in order to avoid prior art introduced at trial that would invalidate the claims of the '388 patent, it rewrote those patent claims in

its *ex parte* submissions by "reading" limitations into those claims (Petition 17-18). AP also does not dispute that National never knew what AP's rewritten claims were until the District Court issued its opinion.

II. AP'S BRIEF CONFIRMS THAT THIS COURT SHOULD EXERCISE ITS SUPERVISORY POWER IN THIS CASE

AP urges that the *ex parte* procedure below is sanctioned by F.R.Civ.P. Rules 5(a) and 16(c)(5) (Opposition 10-12). That erroneous reading of these two rules confirms the importance of granting certiorari in this case. As this Court has said in *McCarthy* v. *United States*, 394 U.S. 459, 463 (1969):

> "Because of the importance of the proper construction of Rule 11 to the administration of criminal law in the federal courts, and because of a conflict in the courts of appeals over the effect of a district court's failure to follow the provisions of the Rule, we granted certiorari" (footnotes omitted).

Accord, e.g., *Thiel* v. *Southern Pacific Co.*, 328 U.S. 217, 225 (1946); *Los Angeles Brush Corp.* v. *James*, 272 U.S. 701, 706-07 (1927).

AP criticizes National for deliberately omitting "material portions" of F.R.Civ.P. Rule 16(c)(5) (Opposition 11). AP asserts that these portions leave it "to the consideration of the parties and to the discretion of the trial court" whether briefs submitted to the trial Court should be exchanged (Opposition 11). This is simply not so. Rule 16(c)(5) makes it discretionary whether briefs are to be submitted at all. Once the court decides to have trial briefs, the plain language and purpose of the rule calls for "exchanging" them—not submitting them *ex parte* (Petition 13-14).

AP misreads *Photovest Corp.* v. *Fotomat Corp.*, 606 F.2d 704 (7 Cir. 1979), as supporting its interpretation of Rule 5(a). *Photovest* held that delay in exchange of trial submissions was

not prejudicial in those circumstances because "[t]he procedure in the present case clearly provided for service on all parties *since it always contemplated exchange* at the close of trial." 606 F.2d at 709 (emphasis supplied). *Photovest* (Petition 12-13), which struck down a local rule permitting delayed exchange of trial briefs in favor of immediate exchange, plainly supports the result National seeks here.[1]

AP attempts to distinguish *Morgan* v. *United States*, 304 U.S. 1 (1938) (Opposition 13). *Morgan*, as quoted on pages 11-12 of the petition, speaks for itself.

The evils of *ex parte* communications have been noted in many other cases. See, e.g., *U.S. Lines* v. *Federal Maritime Commission*, 584 F.2d 519, 542 (D.C. Cir. 1978):

> "Moreover, even if the detailed contents of the *ex parte* contacts were revealed by the agency on judicial review, we would still be deprived of the benefit of an adversarial discussion among the parties. Our cases, discussed earlier with respect to blind references, make clear the critical role of adversarial comment in ensuring proper functioning of agency decisionmaking and effective judicial review. Such comment serves not only to clarify the issues and positions being considered at the agency level, but also to ensure that factual questions underlying the agency's decision are not raised, by necessity, for the first time on judicial review."

Rinehart v. *Brewer*, 561 F.2d 126, 132 (8 Cir. 1977):

> "Judge Brannon's undisclosed ex parte inquiry constituted improper conduct which denied Rinehart his due process right to a disinterested and impartial tribunal. See ABA Standards Relating to *The Function of the Trial Judge* § 1.6 (Approved Draft, 1972); Code of Judicial Conduct, Canon 3A(4) (Final Draft, 1972)."

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[1] See in this connection *Burton* v. *G.A.C. Finance Co.*, 525 F.2d 961 (5 Cir. 1976), in which the court held that failure to serve a counsel's letter to the court violated F.R.Civ.P. Rule 5(a).

Haller v. *Robbins*, 409 F.2d 857, 861 & n.4 (1 Cir. 1969):

> "This [*ex parte* communication] is not merely a matter of ethics [see Canon 3, ABA Canons of Professional Ethics; Canon 17, A.B.A. Canons of Judicial Ethics], it is part of a defendant's right to due process and effective representation" (brackets, second instance, n.4 in original).

III. THE QUESTION PRESENTED FOR REVIEW IS PROPERLY BEFORE THIS COURT

AP says that National waived its objection because it "assented to the local briefing practices" and "agreed to submit proposed findings of fact and conclusions of law which were not to be exchanged" (Opposition 3). That is not true (see Petition 14).[2]

In the first place, the *ex parte* submissions were prescribed by local rule and practice. Court and counsel fully recognized the existence of that rule and practice. It therefore was unnecessary and would have been inappropriate for National to say more than it did to the trial Court. F.R.Civ.P. Rule 46 states:

> "[I]t is sufficient that a party . . . makes known to the court the action which he desires the court to take. . . ."

In the second place, as said in *United States Ex Rel. Ross* v. *Franzen*, 668 F.2d 933, 941 (7 Cir. 1982):

> "The waiver of a constitutional right must be 'an intentional relinquishment or abandonment of a known right.' *Johnson* v. *Zerbst*, *supra*, 304 U.S. at 464, 58 S.Ct. at 1023; *see also Brookhart*, *supra*, 384 U.S. at 4, 86 S.Ct. at 1247. The mere failure of counsel to object to a court ruling, which follows on the heels of counsel's express indication of an intent not to surrender the right in question, clearly does not rise to this high standard,

[2] The authorities which AP relies on (Opposition 6), relating to arguments raised on appeal for the first time, are simply inapplicable here.

> particularly since ' "courts indulge every reasonable presumption against waiver" of fundamental constitutional rights.' *Johnson, supra*, 304 U.S. at 464, 58 S.Ct. 1023 (citation omitted)."

Accord *Glasser* v. *United States*, 315 U.S. 60, 71 (1942).

In any event, the issue raised by the present petition is sufficiently important to warrant review. Even if there is a question whether a proper objection was made, the matter at issue is fundamental error. As said in *Freifield* v. *Hennessy*, 353 F.2d 97, 99 (3 Cir. 1965):

> "The defendant argues that since the plaintiff interposed no objection to the court's instructions he may not now complain of error therein. This argument is in accord with the general rule which is subject to exception. Hormel v. Helvering, 312 U.S. 552, 557, 558, 61 S.Ct. 719, 85 L.Ed. 1037 (1941); Mazer v. Lipschutz, 327 F.2d 42, 52 (3rd Cir. 1964); McNello v. John B. Kelly, Inc., 283 F.2d 96, 101, 102 (3rd Cir. 1960); Callwood v. Callwood, 233 F.2d 784, 788 (3rd Cir. 1956). Where it is apparent on the face of the record that counsel failed to object to a fundamental and highly prejudicial error, and this failure may have resulted in a miscarriage of justice, the error must be noticed and rectified. Ibid. This exception to the general rule is applicable to the instant case."

Accord, e.g., *Frederic P. Wiedersum Assoc.* v. *Nat. Homes Const.*, 540 F.2d 62, 66 (2 Cir. 1976); *Watkins* v. *Grover*, 508 F.2d 920, 921 (9 Cir. 1974); *Gomes* v. *Williams*, 420 F.2d 1364, 1367 (10 Cir. 1970); *Sheppard Federal Credit Union* v. *Palmer*, 408 F.2d 1369, 1371 (5 C. 1969).

AP's final argument is that National "specifically offered evidence on the very issue it now says it did not know was being tried" (Opposition 5). Even assuming *arguendo* that "deliberate and willful" infringement was at issue in the liability trial, as AP urges, that did not put attorney fees into issue. The standard for "deliberate and willful" infringement is different

from that of "exceptional case" for attorney fees. *TWM Manufacturing Co., Inc.* v. *Dura Corp.*, 213 USPQ 423, 428 (E.D.Mich. 1981), affirmed in pertinent part 722 F.2d 1261 (6 Cir. 1983), cited in National's petition (Petition 15) states this point clearly:

> "In this case I have found willful infringement. I have certainly found misconduct as a matter of fact and law by Dura Corporation and its agents. However, I am not prepared to say that I can go as far to say that there has been bad faith action, that the Dura Corporation has acted in such bad faith as to authorize attorneys' fees, so I do not think the standard of 35 USC 284 [sic] as set forth in Deyerle v. Wright Manufacturing Company has been met. This does not mean, however, that I cannot consider enhanced damages because as I read the law, *the standard for enhanced damages* up to treble damages *is not as stringent* a standard *as the standard* which is set forth *for the granting of* the actual *attorney fees*" (emphasis supplied).

Deere & Co. v. *International Harvester Co.*, 658 F.2d 1137, 1147-48 (7 Cir. 1981) (Petition 16), explicates the point:

> "Section 285 provides that an award of attorney's fees may be made in exceptional cases. The purpose of the award is to prevent the gross injustice of having a prevailing party bear the cost of litigation in a suit where the conduct of the losing party is clearly inequitable. *Stanford Research Co.* v. *Eberhard Faber Pen and Pencil Co.*, 379 F.2d 512 (7th Cir. 1967). This court has interpreted the statutory language to require 'an unambiguous showing of extraordinary misconduct.' *Airtex Corp.* v. *Shelley Radiant Ceiling Co.*, 536 F.2d 145, 155 (7th Cir. 1976). Examples of conduct held to be extraordinary include repeated failure to respond to discovery requests, *L. F. Strassheim Co.* v. *Gold Medal Folding Furniture Co.*, 477 F.2d 818 (7th Cir. 1973), fraud on the patent office, *Shelco, Inc.* v. *Dow*

Chemical Co., 466 F.2d 613 (7th Cir.), *cert. denied*, 409 U.S. 876, 93 S.Ct. 125, 34 L.Ed.2d 129 (1972), and unclean hands in obtaining the patent, *Timely Products Corp.* v. *Arron*, 523 F.2d 288 (2d Cir. 1975)" (footnote omitted).

National still does not know what arguments were presented to the trial Court to persuade it to award AP attorney fees which may amount to more than $1 million. Together with the fact that the trial Court found against National on the issues of patentability, enforceability, and infringement on arguments that National never had the opportunity to meet, it is manifest that National suffered from the *ex parte* communications of which it complains.

IV. CONCLUSION

AP's brief confirms that a writ of certiorari should issue.

Respectfully submitted,

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